INSIGHT

A BRIEFING REPORT ON A TOPIC OF CURRENT INTEREST ● Boston Redevelopment Authority ● Research Division December 2005

"THE NEW PILGRIMS" - KEY TO THE STATE'S ECONOMY - ARE ALREADY HERE

SUMMARY

The Commonwealth of Massachusetts and the city of Boston have always welcomed immigrants. Historically, immigrants made up a large proportion of the population of the city and the state. In recent years, in fact, immigrants are responsible for what little population growth that has occurred in Massachusetts.

In earlier generations, Massachusetts was abundant in lower-skilled jobs in areas such as manufacturing and construction. In today's knowledge-based economy, however, occupations in all industries demand improved skills and increased levels of education.

In fact, an emerging problem facing the Massachusetts economy today is that of a shortage of workers, especially educated, younger workers, capable of filling those jobs.

In order to mitigate this problem, it is suggested that the State recruit so-called "New Pilgrims" - knowledge workers from other countries - to boost the state's economy. Even if such a strategy were practicable it appears to be unnecessary because these "New Pilgrims" are already here.

A bill recently filed at the Massachusetts legislature would help provide the opportunity to fill more jobs in Massachusetts with educated, skilled workers. This report analyzes the potential short-term impact of the proposed legislation on the state's budget and the long-term impact on the state's economy.

BACKGROUND

Population

The Commonwealth of Massachusetts and the City of Boston always welcomed immigrants. Between 1850, when census statistics on immigrants were first recorded, and 1930, almost one-third of the city's population and one-fourth of the state's population were made up of foreign-born residents. (Table 1).

During the Great Depression and World War II, the pace of immigration slowed, but began to increase twenty-five years ago. By 2000, more than one-fourth of the city's population and one-eighth of the state's population were foreign-born.

Since then, the pace of immigration continued to accelerate, even as the state's native-born population declined.

Between 2000 and 2003, according to the U.S. Census Bureau, Massachusetts was one of only two states (along with New York), which depended solely on immigration for its overall population growth. In 2004, Massachusetts was the only state in the nation to have lost population - a loss that would have been even greater if the number of foreign-born residents in Massachusetts had not increased to 906,866.

Immigrants play a significant role in the Massachusetts economy, and:

- **Today 1 out of every 7 Massachusetts residents is foreign-born.**
- **In the last 25 years the proportion of the state's labor force made up by immigrants doubled.**
- **Immigrants with a college degree make twice as much as those with only a high school diploma.**

Table 1:
Foreign Born Population, 1850-2000

Date	Boston	%	Massachusetts	%
1850	46,677	34.1	164,024	16.5
1860	63,791	35.9	260,106	21.1
1870	87,987	35.1	353,319	24.2
1880	114,796	31.6	443,491	24.9
1890	158,172	35.3	657,137	24.9
1900	197,129	35.1	846,324	30.2
1910	243,365	36.3	1,059,245	31.5
1920	242,619	32.4	1,088,548	28.3
1930	233,687	29.9	1,065,620	25.1
1940	184,080	23.9	857,658	19.9
1950	144,092	18.0	721,230	15.4
1960	109,964	15.8	576,452	11.2
1970	83,988	13.1	494,660	8.7
1980	87,056	15.5	500,982	8.7
1990	114,597	19.9	573,733	9.5
2000	151,836	25.8	772,983	12.2

Source: U.S. Census, BRA, Research Division Analysis

Workforce

Population growth is crucial for economic growth. New business formation and business expansion depends on a reliable supply of labor. In recent years, the Massachusetts labor supply is increasingly made up of foreign-born residents.

Table 2 shows that between 1980 and 1990, immigrants accounted for 35% of the growth in the state's labor force. During the last decade, this contribution increased to 223% of the state's labor force growth. Finally, in the last three years, immigrants accounted for 62% of the state's labor force growth.

Overall, since 1980, the share of immigrants in the state's labor force almost doubled increasing from 8.8% to 17.0%, in 2003.

Table 2:
Growth in the Resident Civilian Labor Force of Massachusetts, 1980-2003

Period	Growth in Labor Force	New Immigrants in Labor Force	% Contribution by Immigrants to Labor Force Growth
1980-1990	429,600	151,000	35%
1990-2000	80,672	179,960	223%
2000-2003	103,000	63,646	62%

Source: MassINC. (2005). The Changing Face of Massachusetts. Boston.

Education

Today economic growth demands not only additional workers but workers with improved skills and increased levels of education. Indeed, one of the emerging problems for the Massachusetts economy is that of a shortage of skilled and educated workers - especially young adults - capable of filling those new jobs.

While immigrants in earlier generations found jobs in Massachusetts in lower-skilled industries like construction and manufacturing, today's jobs - particularly in health care, technology, financial and professional services - require greater levels of skills and education.

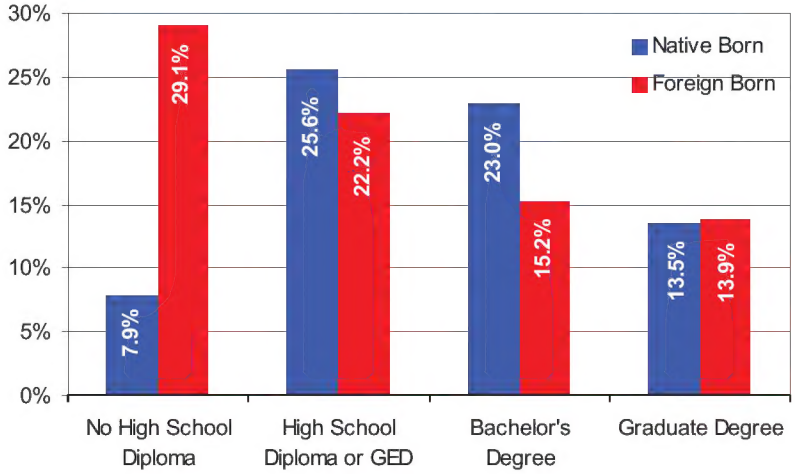
Today's immigrants in Massachusetts - like those of earlier generations - usually lack that kind of background. Figure 1 shows that immigrants in Massachusetts are three times more likely to lack a high school diploma (29.1%) as native-born residents of the state (7.9%). A lower percentage of immigrants (22.2%) had a high school diploma or GED in comparison to the native-born residents (25.6%), and only 15.2% of immigrants held a bachelor's degree, in comparison to 23.0% of native-born residents.

If the Massachusetts economy is to rely on immigrants for its labor growth, and if today's economy requires a more educated workforce, it is suggested that the state recruit so-called "New Pilgrims" - highly skilled and educated workers from other countries - to boost the state's economy. Even if such a strategy were practicable, it appears to be unnecessary. Massachusetts already possesses a labor force of young immigrant residents, acculturated and committed to the state, ready and willing to fill those jobs and lacking only the opportunity to increase their skills and further their education.

Immigration Policy and Education

Setting immigration policy is the responsibility of the federal government. As in other areas, the policy addressing education for immigrants is somewhat ambiguous. On the one hand, federal courts have ruled that the immigration status of parents should not prevent a child from receiving a government supported public education through grade twelve. On the other hand, federal law prohibits college students who are illegal immigrants from receiving government financial aid. States are free, however, to set their own policies regarding eligibility for in-state tuition rates.

Figure 1:
Educational Attainment of the Adult Population in Massachusetts, 2000



Source: MassINC. (2005). The Changing Face of Massachusetts. Boston.

PROPOSED IN-STATE TUITION LEGISLATION

A bill currently before the Massachusetts legislature would increase access to higher education for the children of undocumented immigrants living in Massachusetts by allowing them to attend the state's public colleges at in-state, rather than out-of-state, tuition rates.

The students would qualify for the in-state tuition rate only if they:

- have attended high school in the Commonwealth of Massachusetts for at least three years and;
- have achieved graduation from a Massachusetts high school or attained the equivalency thereof;
- have provided an affidavit stating that they have filed an application to become a permanent resident of the United States, or shall file at the earliest opportunity they are eligible to do so.

The proposed bill is similar to legislation already passed in nine other states - some of them with much larger populations of undocumented immigrants - including California, New York, and Texas.

Proponents of the bill before the Massachusetts legislature argue that it would promote opportunity. Opponents argue that it would cost the state money and reward violators of immigration laws. An analysis of the data suggests that the legislation would actually generate increased revenue for the state and increase compliance with immigration laws.

COSTS AND BENEFITS OF PROPOSED LEGISLATION

Number of Prospective Students

In order to accurately calculate the financial impact of the proposed legislation on the state, it is necessary both to estimate the number of immigrant students who might take advantage of attending Massachusetts public colleges if they are allowed to pay in-state tuition rates and to estimate in which of the state's colleges they might enroll. An immigrant advocacy organization estimates that approximately 400 students might be expected to take advantage of the opportunity to attend state colleges if they were allowed to pay tuition at the in-state rate. Based on a recent Boston Globe survey and data from the Urban Institute, for some states where similar legislation has already been enacted, this figure may be high.

Omitting Texas, where residents of Mexico are allowed to attend state colleges at the in-state tuition rate, the survey shows that in California, with an estimated 2.4 million undocumented immigrants, only 357 of them had enrolled in its state colleges three years after that state's law went into effect. The remaining states follow suit: Kansas with an estimated population of undocumented immigrants of between 50 and 75,000 reported 221 students; New Mexico with the same estimated population of undocumented immigrants as Kansas, reported 41 students, a year after its law went into effect; Utah with a population of between 75 and 100,000 had 22 students enrolled; and Washington with an estimated population between 175 and 200,000 undocumented immigrants, reported only 27 students enrolled.

If the same proportions are applied to Massachusetts with an estimated population of between 100 and 175,000 undocumented immigrants, 400 prospective students significantly overestimates enrollment.

Estimated Total Cost

Based on this overestimated enrollment, state officials predicted that the proposed legislation would cost the state $15 million in lost revenue (the difference between the total in-state and out-of-state tuition payments). This figure also seems too high.

First, it assumes that all 400 students would attend Massachusetts state colleges even if they were required to pay the out-of-state rates. Data suggests, however, that only a small proportion of immigrant families in Massachusetts could afford to pay out-of-state tuition rates, which are two to three times higher than those charged for residents of the state. For example, according to MassINC, of all adult immigrants in Massachusetts, only 38% had achieved a middle-class standard of living compared to 59% of native-born residents.

If we assume that only a small portion would attend school at the out-of-state rates, a case could be made that the proposed legislation would actually increase revenue to the state, since it would attract students who might otherwise not have been able to attend college at all.

A second reason that the total cost estimate seems inflated is that it assumes that almost all of the prospective students would attend the University of Massachusetts, where the tuition is highest and the difference between in-state and out-of-state rates is greatest. This is an unlikely scenario.

Realistically, for reasons of cost, location, and curriculum - immigrant students, like their fellow graduates of other high schools across the state, would attend a variety of the state's public colleges. In 2003, for example, almost half (44.3%) of Boston public school graduates who continued their education after high school attended one of the Massachusetts public colleges. Less than one-third (32.1%) of these attended the University of Massachusetts. More than half (55.4%) attended a community college and one in every eight (12.5%) attended state colleges, where tuition rates are much lower.

Table 3 lists some of Massachusetts' public colleges, their in-state and out-of-state tuition rates, and the differences between them. It shows that the costs - and the differences between in-state and out-of-state rates - varies widely from school to school.

If the estimated 400 prospective immigrant students chose state colleges - and then went on to obtain four-year degrees - in those same proportions as do Boston public school graduates - the total "cost" to the state in terms of the difference between in-state and out-of-state tuition payments would be $10.2 million, much less than the $15 million figure that has been suggested.

UNIT COST - A MORE ACCURATE MEASURE

Given the difficulty of estimating the number of prospective students and of predicting which colleges they would attend, a more accurate way to measure the "cost" of the proposed legislation is to approach it on a unit-cost basis - by calculating a weighted average cost for the "average immigrant student" to proceed toward a four-year degree at an "average Massachusetts public college."

Using the aforementioned choices exhibited by Boston public school graduates, the estimated "unit cost" to the state (in terms of the difference between in-state and out-of-state tuition) would be $6,381 per student annually.

Economic Benefits

Education is generally considered to be a wise investment - not only for parents and for children, but for government and employers.

Just as a unit cost can be assigned to each student so can a unit economic benefit from a college degree. In this case, it appears that the annual unit cost of $6,381 per student yields a healthy return. This return comes in the form of increased taxes generated by each additional immigrant who graduates from college.

Figure 2 shows that the income of immigrant workers - like that of native-born workers - increases greatly according to educational attainment level. In 1999,

Table 3:
Differences Between In-State and Out-State Tuition Rates at Various Massachusetts State Colleges

School	% of BPS Graduates	In-State	Out-of-State	Difference
Bunker Hill Community College	55.4	$1,200	$3,672	$2,472
Fitchburg State	12.5	$2,501	$5,541	$3,040
UMass/Amherst	32.1	$9,560	$18,006	$8,446
Average		**$4,046**	**$8,507**	**$4,461**

Source: BRA, Research Division Analysis.

Massachusetts immigrant workers with a college degree earned ($40,179), nearly twice as much as those with just a high school diploma ($20,216). Brought forward and adjusted for inflation, the immigrant with a college degree would earn $48,991 in 2005 compared to the $24,650 earned by an immigrant with only a high school diploma - a $24,341 earnings gap.

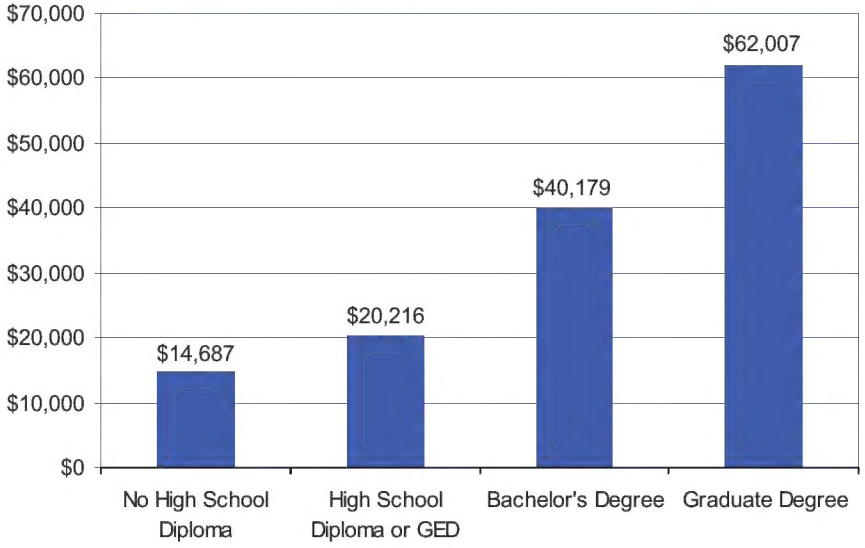
Income, sales, and even corporate taxes paid to the state increase as the productivity and income of each worker rises. Thus, the average immigrant worker with a college degree generates $1,527 in additional annual taxes. That means they would repay each year of the $6,381 in-state tuition "discount" in just 4-plus years - and by the end of their 40-year working career would repay the state's investment more than two times over.

The state's economy benefits even more from the proposed legislation. As an individual's income rises, not only does the amount of income taxes paid increase, but so does that individual's contribution to the economy due to increased productivity. Over the average 40-year working life, the immigrant college graduate would earn almost an additional one million. The highest earnings promote an increased gross state product, which in turn leads to higher sales and business taxes.

Non-Economic Benefits

The Commonwealth benefits from the proposed legislation in other, non-economic ways, such as the social benefit of increased opportunity, individual initiative, civic involvement and, particularly, increased citizenship.

Figure 2:
Average Annual Earnings of Immigrants (20-64 Years Old) in Massachusetts by Educational Attainment, 1999



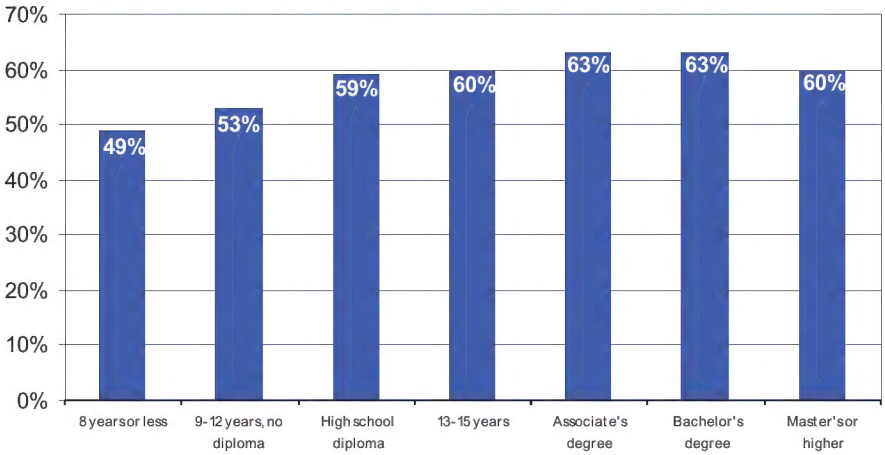
Source: MassINC. (2005). The Changing Face of Massachusetts. Boston.

The proposed legislation requires students who take advantage of it to sign an affidavit stating that they have filed to become a permanent resident. Research shows that citizenship increases - like income and productivity - among permanent residents with advanced levels of education.

Figure 3 shows that citizenship rates among foreign-born residents of Massachusetts, 20 years and older, increase in direct proportion to their educational attainment. Those with eight years of schooling or less have a citizenship rate of 49%. Those with less than a high school diploma have a rate of 53%, and with a high school diploma 59%. Citizenship rates increase to 60% for those with 13-15 years of schooling, and they peak at 63% for those with an associate's or bachelor's degree.

Finally, other research shows that local high school graduates are more likely to remain in their "home state" if they attend college there. For a state like Massachusetts that is losing overall population, it seems that any steps taken to increase the supply and retention of young, college graduates are steps worth taking.

Figure 3:
Citizenship Rates Among Massachusetts Foreign-Born Residents 20 and Older by Educational Attainment, 2000



Source: MassINC. (2005). The Changing Face of Massachusetts. Boston.

CONCLUSION

Massachusetts and Boston are gateways for immigrants that offer economic and social opportunities. Today's "New Pilgrims" are already here, the sons and daughters of immigrants who come to Massachusetts looking for opportunities like those of previous generations.

It is clear that an investment aimed at increasing access to higher education for these immigrants would yield a healthy return - economic and social - for the Commonwealth of Massachusetts.

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